

KANSAS MEDICAID STATE PLAN

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COST REPORT INSTRUCTIONS

COVER PAGE

PROVIDER IDENTIFICATION:

Lines 11-20: Complete these lines as indicated on the report form.

Lines 21-25: Check only one box.

Line 21 Check if the cost data is for the calendar year report period and does not include any portion of a projection period.

Line 22 Applies to projected cost reports for new providers that are not occupying a newly constructed facility.

Line 23 Applies only to projected cost reports related to newly constructed facilities. If a provider occupies a newly constructed facility they should check this box.

Line 24 Applies to providers filing historical cost reports for the same period as their projection year or the first year of operation for a change of provider.

Line 25 Applies only to providers in the process of converting from the projection period to the calendar year and the report period includes a portion of the projection period.

Lines 26-32: Check only one box. Check the type of business organization which most accurately describes your provider status or explain on line 33, Other. Limited Liability Companies should check the box that matches their declaration for tax purposes.

NF and NF-MH:

Lines 43-43d: Enter the number of licensed NF or NF-MH beds under the BED COUNT column. Then calculate and record the number of bed days at that bed count (multiply the bed count by the number of calendar days this count is maintained, see example below). If a change in the number of beds has occurred during the reporting period, show the increase or decrease, the date of the change, the new bed count, and the bed days at that count.

Example of Bed Days calculation:

Assume a home of 20 beds was increased on July 1 to 25 beds, the number of bed days for the period would be determined as follows:

January 1 to June 30 - 181 days x 20 beds = 3,620 bed days  
July 1 to December 31- 184 days x 25 beds = 4,600 bed days  
8,220 bed days for period

Line 45: Record the bed count as of the ending date of the cost report period.

Line 46: Total Bed Days - Record the sum of the BED DAYS AT THIS COUNT column from lines 43-43d.

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**Line 48:** **Total Resident Days** - The total number of resident days shall be determined in accordance with KAR 30-10-28. A resident day means that period of service rendered to a resident between the census-taking hours on two successive days and all other days for which the provider receives payment, either full or partial, for any Kansas Medical Assistance or non-Kansas Medical Assistance resident who was not in the facility (KAR 30-10-1a). If both the admission and discharge occur on the same day, it shall count as a resident day. If the provider does not make refunds on behalf of a resident for unused days in the case of death or discharge, and if the bed is available and actually used by another resident, these unused days shall not be counted as a resident day. Any bed days paid for the resident before an admission date shall not be counted as a resident day. The total resident day count for the cost report period shall be accurate. An estimate of the days of care provided shall not be acceptable. The total resident days must agree with the 12 month total as submitted on the diskette of the Form AU-3902.

Day care and day treatment shall be counted as one resident day for 18 hours of service. The recipients of day care/treatment shall be listed on the monthly census summary diskette of the Form (AU-3903) with the number of hours reflected on the appropriate day column.

**Occupancy Percentage:** Agency staff will determine this percentage.

**Line 48a:** **Total Kansas Medical Assistance Days** - Enter the total number of Kansas Medical Assistance days reported on the diskette of the Form AU-3902. Partial, as well as full paid days must be included (please refer to KAR 30-10-28).

**Line 48b:** **Total Medicare Days** - Enter the total Medicare days in the report period.

## OTHER FACILITY BEDS:

**Lines 49:** **Assisted Living/Res. Care** - Enter the number of beds for assisted living and residential health care. If a change in the number of beds occurred during the reporting period, show the increase or (decrease) and the date of the change. Attach a schedule if additional space is needed to show all changes in the number of licensed beds.

**Line 50:** **Unlicensed Beds** - Enter the number of unlicensed beds i.e., apartments within the facility. If a change in the number of beds occurred during the reporting period, show the increase or (decrease) and the date of the change. Attach a schedule if additional space is needed to show all changes in the number of licensed beds.

**Line 51:** Enter the total number of other residential days with shared NF/NF-MH costs. The total other residential days must agree with the 12 month total as submitted on the diskette of the Form AU-3903.

**Line 52:** Check the appropriate box regarding Medicare certified beds.

**Line 53:** Please indicate if the facility is a hospital based long term care (LTC) facility or a free standing facility.

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SCHEDULE A - EXPENSE STATEMENT

Attach a copy of the working trial balance used to prepare the cost report.

**Total Annual Hours Paid** - Column 1 - Enter the total hours paid to the employees on each of the salary lines for the reporting period. Employees shall be reported on the appropriate salary line for their position classification.

**Per Books or Federal Tax Return** - Column 2 - Report the expenses reflected in the accounting records under the appropriate cost center (i.e., Operating, Indirect Health Care, Direct Health Care, Ownership and Non-Reimbursable). The total of all the expense lines (Column 1 - Line 599) shall reconcile to the income tax return and/or the accounting records.

**Provider Adjustments** - Column 3 - Enter the necessary adjustments to the expenses reported in Column 2 that are not resident-related according to the regulations and/or offset expense recoveries reported in the Revenue Statement, Schedule G. Attach a schedule if necessary.

**Resident Related Expense** - Column 4 - Enter the difference between Column 2 and Column 3. Please complete Column 4 even if no adjustments were made in Column 3, except for lines 501 through 514.

**State Adjustments/Adjusted Resident Related Expenses** - Columns 5 & 6 - Leave blank - FOR AGENCY USE ONLY

Expense Lines

**General:** All costs shall be reported on the designated expense lines. If all expense classifications are not addressed, report the amount on the line and in the cost center that most nearly describes the expense. For example, telephone expense is included in the Operating cost center. Therefore, the expense for telephone lines to the nurses' station shall not be reported in the Direct or Indirect Health Care cost center. See specific line instructions for more detail. **DO NOT CROSS OUT OR USE A LINE DESIGNATED FOR A PARTICULAR TYPE OF EXPENSE FOR SOME OTHER TYPE OF EXPENSE.**

The specific instructions, which follow, do not cover each line item of the expense statement, but are designed to cover items that may require additional explanation or examples.

**All Salaries** - Lines - 101-104, 201-213, and 301-306, - Salaries are compensation paid for personal services that were reported to the Internal Revenue Service (IRS). These lines, plus the owner/related party compensation lines, shall reconcile to your IRS 941 Report forms as adjusted by benefits or other bonuses.

Each facility must have a full time licensed administrator. Non-owner/related party administrator compensation shall be reported on line 101. Owner/related party administrator compensation shall be reported on line 121. A hospital-based long term care unit, under the jurisdiction of a hospital administrator, must report a percentage of the administrator's salary on line 101, and the salary of the staff person serving as an assistant administrator on line 102. Salaries and benefits of the administrator and co-administrator paid as central office costs shall be reported on lines 101, 102, and 119.

Report the salaries of the Direct Health Care Cost Center personnel on the most appropriate classification for lines 301-306. In the Indirect Health Care Cost Center, lines 205-210, are for reporting salaried employee therapists. **DO NOT REPORT CONSULTANTS ON THESE LINES.**

**Employee Benefits** - Lines 119, 219, and 319- Allocate employee benefits to the benefit lines in each cost center based on the percentage of gross salaries or the actual amount of expense incurred in each center. Employee benefits, if offered to substantially all employees may include, but are not limited to:

- 1) Employer's share of payroll taxes

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- 2) State and federal unemployment contributions
- 3) Workers' compensation insurance
- 4) Group health and life insurance
- 5) Employee "non-cash" gifts
- 6) Moving/relocation expenses
- 7) Employee retirement plans
- 8) Employee parties - except alcoholic beverages
- 9) Profit sharing
- 10) Physical examinations
- 11) Malpractice insurance that specifically protects employees. This shall be specifically identified on the insurance bill from the agent.
- 12) Employee Uniforms
- 13) Employee Meals

Employee benefits shall not include:

- 1) Employee cash bonuses and/or incentive awards - these payments shall be considered additional compensation and be reported on salary lines.
- 2) Benefits given to owner/related parties - these benefits shall be reported on the owner/related party employee benefits lines (125, 225, 325).

Employee benefits with restrictions include:

- 1) Employee benefits offered to select non-owner/related party employees shall be reported as a benefit in the cost center in which the salary is reported.

**Contracted Labor** - Lines 130, 230 and 330. These lines shall be used to report all contract labor for services that would normally be provided by employees listed in the cost center.

**Consultants** - Lines 131, 231-238, and 331. Consulting fees paid to related parties are subject to the restrictions of KAR 30-10-1a and KAR 30-10-23b (c) and (d). Report fees paid to professionally qualified non-salaried consultants. List the titles of consultants reported on line 238.

**Owners and Related Party Compensation** - Lines 121, 221, and 321. - Record the amount earned and reported to IRS for owner/related parties. In order to be allowed, the compensation must be paid within 75 days after close of the cost report period. The amount reported must be in agreement with entries made in Schedule C. Compensation may be included in allowable cost only to the extent that it represents reasonable remuneration for managerial and administrative functions, professionally qualified health care services and other services related to the operation of the nursing facility, and was rendered in connection with resident care. All compensation paid to an owner/related party shall appear on the appropriate lines above regardless of the label placed on the services rendered (See KAR 30-10-24).

**"Other"** - Lines 181 and 281 - "Other" or blank lines have been provided in the operating and indirect health care cost centers. Types of expense entered on these lines shall be identified and be applicable to the cost center unless further restricted. Attach a schedule to the cost report. Failure to do so can cause unnecessary delay in the processing of your cost report.

**Management Consultant Fees** - Line 131 - Report fees paid to non-related party management consultants. If the management services company is owned or controlled by the company or person(s) that own or control the facility, actual cost of the management company must be reported as central office costs and/or owner's compensation. See instructions for reporting central office costs - line 151.

**Allocation of Central Office Costs** - Line 151 - All providers with more than one facility and pooled administrative costs shall report allocated costs on line 151. All facilities, including the central office, must

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use the same reporting period. Central office costs shall be reported in accordance with KAR 30-10-27. Attach a detailed schedule listing the central office costs and method of allocation to each facility. Submit a copy of the Medicare Home Office Cost Report if applicable. The same method of allocation used on the Medicare Cost Report must be used in the Medicaid Cost Report.

Allowable central office costs are subject to the following conditions:

- Only expense allocations related to Kansas facilities will be allowed.
- Purchases from related-party vendors - Costs of resident-related goods and services supplied to the central office by related parties will be allowed at the lower of the cost to the vendor or the charge to the central office;
- Costs directly attributable to a specific provider or non-provider activity must be allocated directly to the entity for which they were incurred;
- Salaries of owner/related parties - Any of these costs that are included in central office costs must be reported on line 121;
- Central office bulk purchases of adult care home supplies - These expenses may be allocated to the supplies lines in the appropriate cost centers, if the allocation method is adequately documented; and
- Consultants - Costs directly applicable to the indirect and direct health care cost centers may be reported on the applicable consultant lines in these cost centers.

**Office Supplies and Printing** - Line 152 - Report all office supplies, postage, duplicating and printing expenses on this line. The printing and duplicating of forms are considered to be an administrative expense and shall not be reported in any other cost center. The exception to this rule is medical records forms that may be reported on line 351, Nursing Supplies.

**Telephone and Other Communication** - Line 153 - Report routine telephone and communications expense on this line regardless of the department or cost center benefit.

**Travel** - Line 154 - Report administrative and staff travel expenses that are related to resident care. Vehicle costs must be documented by detailed expense and mileage records kept at the time of the travel activity. Estimates shall not be acceptable. Exceptions:

- 1) Long term or recurring vehicle lease expense for business purposes shall be reported on line 402.
- 2) Expenses associated with the personal use of a vehicle are not allowable unless reported within otherwise allowable limits of compensation.
- 3) Costs related to "in town" entertainment are non-allowable.
- 4) Travel expenses related to Provider board meetings are non-allowable.
- 5) Resident transportation expense shall be reported on line 258.

**Advertising & Recruitment** - Line 155 - Report allowable advertising and recruitment expense on this line. This line shall be used for fees paid to employment agencies, employment advertisements and ads in telephone directories. Fund raising, public relations, advertising for resident utilization and sponsorships are not allowable and shall be reported on line 505.

**Licenses and Dues** - Line 156 - Report allowable licenses and dues expense on this line. Refer to KAR 30-10-23a for non-reimbursable dues and membership costs. Personal automobile club memberships are not allowable unless reported as compensation.

**Accounting and Data Processing** - Line 157 - Report accounting expense on this line, except fees paid to owner/related party firms or individuals which must be reported on the owners compensation line 121.

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Data processing expense related to financial management (i.e., accounting, payroll, budgeting, etc.) shall be reported on this line.

**Liability Insurance** - Line 158 - Report liability insurance expense on this line.

**Other Insurance** - Line 159 - Report property insurance expense on this line. Workers' compensation and employee health and life insurance expense shall be reported on employee benefit lines. Insurance premiums on lives of owners and related parties are not an allowable expense, and shall be reported on line 505.

**Interest** - Line 160 - Report the interest expense related to operating loans and equipment purchases. Submit copies of each new note of \$5,000 or more for the year originated. Interest on loans for real and personal property that is included in a re-base, in accordance with KAR 30-10-25e, shall be reported with real estate interest on line 401.

**Legal** - Line 161 - Report allowable legal expense on this line, subject to KAR 30-10-1a, 23a, and 23b. Allowable fees paid to owner/related party firms or individuals must be reported as owner/related party compensation on line 121.

**Criminal Background Check** - Line 162 - Report the amount expended for criminal background checks for all employees on this line.

**Real Estate and Personal Property Taxes** - Line 163 - Report all real and personal property taxes on this line.

**Maintenance & Repairs** - Line 164 - Report all maintenance and repair expenses applicable to the building, grounds, equipment and vehicles.

**Operating Supplies** - Line 165 - Report supplies expense incidental to the operation and maintenance of the building, grounds, and equipment.

**Small Equipment** - Line 166 - Equipment purchases of \$500 to \$1,000 that were not capitalized must be expensed on this line. Equipment purchases of \$1 to \$499 may be reported in the cost center of benefit as a supply expense.

**Other** - Line 181 - Report miscellaneous expenses incidental to the operation and/or maintenance of the facility and grounds. These include but are not limited to amortization of administrative organizational and/or start-up costs, trash hauling, snow removal and lawn care. This line shall be used for training and educational expenses for employees with salaries reported in the operating cost center.

**Housekeeping Salaries** - Line 202 - Report the hours paid and salaries of housekeeping and janitorial staff involved in floor care and in cleaning of the building.

**Therapy Salaries** - Lines 205-210 - Report the hours paid and salaries of therapists who are directly involved in providing health care. Note: Physical, occupational, speech, and respiratory therapy salaries are subject to the same allowance as therapy consultants.

**Medical Records/Resident Activities/Social Worker/ Other Salaries** - Lines 204, 211-213 - Report the hours paid and salaries on the appropriate line for these classifications. Specify the job classification of other indirect health care salaries.

**Consultants** - Lines 231-238 - Record the fees paid to consultants on the appropriate lines. Provider adjustments for physical therapy, occupational therapy, speech therapy, respiratory therapy, and other therapies shall be in accordance with KAR 30-10-15a(b)(5). Submit a work paper with the cost report that shows the units and calculation of the allowable Medicaid/Medicaid therapy expenses.

Instructions  
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**Utilities Except Telephone** - Line 251 - Report expenses for gas, water, electricity, heating oil, etc. Cablevision may be considered a utility or resident activity expense.

**Food** - Line 252 - Report all food costs. Nutritional supplements are to be included on line 351. The provider shall be required to keep records on the total number of meals served to residents, employees, guests, and outside programs. If the food expense for the employees, guests, and outside programs is included in the MS-2004 expenses, the expense should be offset against the dietary cost center as follows:

- A. Line 201 - Dietary Salaries
  - Line 219 - Dietary Portion Employee Benefits
  - Line 221 - Dietary Owner/Related Party Compensation
  - Line 231 - Dietary Consultant
  - Line 252 - Food
  - Line 253 - Dietary Supplies
  - Line 281 - Other
- Total Dietary Cost ÷ Total Number of Meals Served = Cost Per Meal

B. Cost per meal x number of meals served to employees, guests, and outside programs = amount of offset

C. The cost of free employee meals shall be allocated and reported on employee benefit lines. If employees pay less than the cost for a meal, the difference between the meal revenue and cost may be reported as an employee benefit.

**Dietary Supplies** - Line 253 - Report supplies expense directly related to the preparation and service of food to the residents unless further restricted by another expense line (i.e., printed menus are reported on line 152 - Office Supplies and Printing). Examples include but are not limited to paper goods, kitchen utensils, etc.

**Linen and Bedding Material** - Line 254 - Report linen and bedding material expenses on this line.

**Laundry and Linen Supplies** - Line 255 - Report all supplies expense directly related to laundry and linen services for the residents, unless restricted by another line.

**Housekeeping Supplies** - Line 256 - Report all supplies expense related to keeping the building clean and sanitary. Floor care supplies shall be expensed on this line.

**Resident Activity Supplies** - Line 257 - Report the supplies expense involved in providing resident activities. This does not include the cost of newsletters, which should be included in line 152.

**Resident Transportation** - Line 258 - Report resident transportation expense incurred for non-emergency medical, shopping, activities, etc., in which the residents are the primary passengers. Trip logs must be kept to document the expense. Do not include vehicle lease, interest, depreciation, insurance or other expense restricted to another expense line.

Acceptable methods of allocating cost to line 258, Resident Transportation are as follows:

- 1) Allocated at a set rate per mile. The rate would be determined by dividing total vehicle expense, not restricted to another expense line, by the total miles. The IRS allowed rate per mile is not acceptable because it includes factors for depreciation, insurance and repairs.
- 2) Allocated directly per the following formula:

$$\frac{\text{Resident Travel Miles}}{\text{Total Miles}} \times \frac{\text{Total Vehicle Expenses not Restricted to Another Expense Line}}{\text{Total Miles}} = \text{Resident Travel Expense}$$

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- 3) If private vehicles are used to transport residents, the entire amount of the reimbursement paid to the employee for use of the vehicle is allowable as Resident Transportation. The rate of reimbursement must, however, be reasonable.
- Barber and Beauty** - Line 259 - Report the barber and beauty expenses on this line. If you charge residents for these services offset the expense up to the revenue received in column 3.
- Nursing Aide Training** - Line 260 - Report the costs of fees, tuition, books, etc. for education or training seminars provided to aides with salaries reported on lines 303, 304, and 306. Travel, lodging and meals associated with the education/seminars may be reported on this line.
- Other Health Care Training** - Line 261 - Report the costs of fees, tuition, books, etc., for education or training seminars to employees, except aides reported on line 303, 304 and 306, with salaries reported in the Indirect or Direct Health Care cost centers. Travel, lodging and meals associated with the education/seminars may be reported on this line.
- Aides** - Lines 303, 304, and 306 - Record the hours paid and salaries of aides involved in direct resident care, on the line that most appropriately defines their classification.
- Nursing Supplies** - Line 351 - Report expenses of all routine supplies directly related to the provision of nursing and/or health related services for residents, unless further restricted by another expense line. Medical records forms may be expensed on this line. Nutritional supplements shall be reported on this line.
- Total Rate Formula Costs** - Line 399 - Enter the sum of the totals in the Operating, Indirect Health Care, and Direct Health Care cost centers.
- Interest on Real Estate** - Line 401 - Report all interest expense incurred for the acquisition or construction of real estate. Describe fully on Schedule D. Include amortization expense for loan costs. The interest for equipment and furnishings purchased along with the building shall be reported on this line. Report interest expense on loans for real and personal property included in a re-base of the real and personal property fee, in accordance with KAR 30-10-25e.
- Rent or Lease Expense** - Line 402 - Report all recurring rent and lease expense regardless of the item and use except therapeutic beds which are non-allowable or computer software lease expense which can be reported in the cost center of benefit or line 157, Accounting and Data Processing.
- Amortization of Leasehold Improvement** - Line 403 - Report only amortization of leasehold improvements on this line. Leasehold improvements are defined as betterments and additions made by the lessee to the leased property. Such improvements become the property of the lessor after the expiration of the lease.
- Depreciation Expense** - Line 404 - This amount must be computed by the straight-line method. Such amounts must be reconciled to a detailed depreciation schedule. The determination of capitalized property must be in conformity with Generally Accepted Accounting Principles. If an item or related items purchased in bulk (beds, chairs, tables, etc.) exceed a cost of \$1,000, they shall be capitalized. Attach a detailed depreciation schedule to the cost report.

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**Non-Reimbursable & Non-Resident Related Items**

**General:** Lines 501-514- Provider adjustments must be made in column 3 that offset column 2 expenses in total. Column 4 will show zero expenses.

**Fund Raising/Public Relations/Advertising for Resident Utilization - Line 505-** Include non-allowable advertising expenses. See Line 155 - Advertising and Recruitment.

**Oxygen Concentrators & Cylinders - Line 507 -** Billing for reimbursement of oxygen, cylinder rental and allowable supplies is to be done by the oxygen supplier to the fiscal agent. Homes with a central supply are to bill the fiscal agent directly.

**Drugs (Pharmaceuticals) - Line 508 -** Report expenses for prescription drugs and other items not covered as a routine item in KAR 30-10-15a.

**Resident Purchases - Line 511 -** Report the expense for items purchased for residents but not listed as routine services or supplies in KAR 30-10-15a.

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**SCHEDULE B - EXPENSE RECONCILIATION**

**General:** This schedule shall be used to reconcile the expenses reported on the Nursing Facility Financial and Statistical Report (Form MS-2004) to the provider's financial books and federal tax return.

**Books - Column 1 -** Reflect the expenses as they appear in the general ledger or other financial records.

**Federal Tax Return - Column 2 -** Reflect the expenses as they appear on the federal tax return.

**Cost Report - Column 3 -** Reflect the expenses as they were reported on the cost report the Expense Statement, Schedule A.

**Total Expenses Per Books - Line 601 -** Record the total expenses per the general ledger or other financial records in Column 1.

**Total Expenses Per Federal Tax Return - Line 602 -** Record total expenses from tax return in Column 2.

**Total Expenses Per Cost Report - Line 603 -** Enter total expenses from the Expense Statement, Schedule A (Column 2 line 599) in Column 3.

**Expenses on Books or Federal Tax Return Not on Cost Report - Lines 604 & 605 -** Itemize each expense reflected in the books or federal tax return and not included in the cost report. These expenses should be recorded in the appropriate column under books and/or federal tax return as an offset to the total expense in that column. Use an additional schedule if necessary to list expenses.

**Expenses on Cost Report Not on Books or Federal Tax Return - Lines 606 & 607 -** Itemize the expense reflected in the cost report but not in the total from the books or tax return. These items should be offset to the total expense in Column 3 - Cost Report. Use an additional schedule if necessary.

**Totals - Line 608 -** The differences between the totals per lines 601 (books), 602 (federal tax return) and 603 (cost report) less the negative adjustments in lines -604-607 in each of the three columns shall be entered on line 608. The adjusted totals per the books, federal tax return and cost report shall agree after the applicable offsets to the total expenses reported.

**Working Trial Balance:** The working trial balance should reflect how the costs on the books are reported on the Nursing Facility Financial and Statistical Report. This detailed reconciliation also applies to providers who use a different fiscal year end for IRS but are reporting on the required calendar year end, beginning in 1991, for Medicaid rate setting purposes.

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